

## **Smile Curves in Global Value Chains: Creation and Distribution of Value-added and Job opportunities**

Topic: (3.4) Special Session: Understanding the Most Recent Evolution of Global Value Chains: New Approaches Based on New Databases

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The rise of global value chain (GVC) has brought dramatic changes to the world economy. However, given the increasing complexity and sophistication in cross-border production sharing activities, only using official trade data (e.g., gross exports or import) and GDP statistics has been unable to reveal the significance and nature of the quickly changing world economy. In order to show the evolution of GVC and how the GVC related economic phenomena impacts on the distribution of value-added and job opportunities across countries, we use the so-called “smile-curve” approach to show that countries and sectors can get very different value-added and job gains through different value-chain routes due to their position and degree of participation in GVC. We further show that due to asymmetric information and control power over supply chains among various participants, joining GVC will increase economic efficiency, but may come with increased income inequality. How to resolve the distribution issue and help participants move up along “smile-curve” and their policy implications is also discussed in the paper.